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June 22, 2007

**VIA EFILING AND HAND DELIVERY**

Mr. Charles L.A. Terreni  
Chief Clerk/Administrator  
South Carolina Public Service Commission  
101 Executive Center Dr., Suite 100  
Columbia, SC 29210

Re: Application of Lockhart Power Company for a Rate Increase  
**Docket No. 2007-33-E**

Dear Mr. Terreni:

Enclosed for filing please find the original and one (1) copy of the Joint Proposed Order submitted on behalf of all the Parties in the above referenced matter. Please date stamp the extra copy enclosed and return it to me in the envelope provided.

Please note that the attached documents are exact duplicates, with the exception of the form of the signature, of the e-filed copy submitted to the Commission in accordance with its electronic filing instructions.

By copy of this letter we are also serving all other parties of record. Do not hesitate to let me know if you have any questions.

Sincerely,

  
Shannon Bowyer Hudson

SBH/pjm  
Enclosure

cc: M. John Bowen, Jr., Esquire  
Scott Elliott, Esquire

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2007-33-E – ORDER NO. 2007-\_\_\_\_**

**June \_\_, 2007**

<b>Application of Lockhart Power</b>	<b>)</b>	<b>JOINT PROPOSED ORDER</b>
<b>Company for General Increase</b>	<b>)</b>	<b>APPROVING</b>
<b>In Electric Rates</b>	<b>)</b>	<b>SETTLEMENT AGREEMENT AND</b>
<hr/>	<b>)</b>	<b>INCREASE IN RATES AND CHARGES</b>

This matter is before the Public Service Commission of South Carolina (“Commission”) on the Application (“Application”) of Lockhart Power Company (“Lockhart” or “the Company”) filed February 5, 2007 for adjustments in the Company’s electric rate schedules and tariffs and for approval of the purchase of Pacolet hydroelectric plant. The Application was filed pursuant to S.C. Code Ann. § 58-27-860 (Supp. 2006) and 26 S.C. Code Ann. Regs. 103-823 (S.C. Reg. Vol. 31, Issue 4, April 27, 2007).

The Company’s electric rates and tariffs were last approved by the Commission in Docket No. 2002-122-E, Order No. 2002-794 issued on November 22, 2002 wherein the Commission ordered an increase in annual revenues of \$100,308 for the Company. The rates and tariffs requested in the Company’s Application in the present docket would produce an increase in annual net revenues of \$592,722 and provide a return on common equity of 12.50 percent.

In its Application, the Company proposes to collect from its retail customers during the

first month in which the proposed rates are in effect the unbilled revenue resulting from Lockhart's Purchased Power Adjustment Clause, the mechanics of which create a one-month delay in its collection. The Company also requests in its Application that its purchase of the Pacolet hydroelectric plant and the associated requested rate treatment be approved.

On February 16, 2007, the Commission's Docketing Department instructed the Company to publish a Notice of Filing and Hearing in newspapers of general circulation in the area affected by the Company's Application by February 27, 2007. The Notice of Filing and Hearing indicated the nature of the Company's Application and advised all interested Parties desiring participation in the scheduled proceeding of the manner and time in which to file appropriate pleadings. The Company was also required to notify directly all customers affected by the proposed rates and tariffs. On March 1, 2007, the Company filed with the Commission affidavits demonstrating that the Notice was duly published in accordance with the Docketing Department's instructions and certified that a copy of the Notice was mailed to each affected customer.

The South Carolina Energy Users Committee ("SCEUC") represented by Scott Elliott, Esquire filed a Petition to Intervene on March 14, 2007. The Petition to Intervene was not opposed. The Office of Regulatory Staff ("ORS"), automatically a party pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2006), was represented by Shannon Bowyer Hudson, Esquire. Lockhart was represented by M. John Bowen, Jr., Esquire. Collectively, SCEUC, ORS and Lockhart are referred to as "the Parties" or individually as a "Party."

ORS examined the books and records of the Company relative to the matters raised in the Company's Application.

On May 18, 2007, ORS, on behalf of the Parties, informed the Commission that all Parties entered into a comprehensive Settlement Agreement (“Settlement”). The Settlement and its Exhibits A, B and C are attached hereto as Order Exhibit No. 1 and incorporated herein by this reference. Settlement Exhibit A consists of the Settlement testimony and appendix of Lockhart witness Paul R. Moul, Settlement Exhibit B consists of the Settlement testimony and five exhibits of ORS witness Malini Gandhi, and Settlement Exhibit C consists of the Settlement testimony and four exhibits of ORS witness A. Randy Watts. All parties in this docket – SCEUC, ORS, and Lockhart – are signatories to the Settlement.

The Commission held a hearing on this matter on June 12, 2007 with the Honorable G. O’Neal Hamilton, Chairman, presiding. The Settlement Agreement with attached Exhibits A, B, and C was accepted into the record as composite Hearing Exhibit 1. Hearing Exhibit 2 consisted of Revised Application Exhibit A3-1. Hearing Exhibit 3 consisted of the Application and Application exhibits. The testimony of Lockhart witnesses Bryan D. Stone, Charles R. Parmelee, and Paul W. Inman were stipulated to and accepted into the record without cross-examination by any Party. The exhibits of Lockhart witnesses Bryan D. Stone, Charles R. Parmelee, and Paul W. Inman were accepted into the record as composite Hearing Exhibit 4.

Lockhart witnesses Stone and Moul as well as ORS witnesses Gandhi and Watts appeared, gave summaries of their testimonies and were examined by the Commission. Lockhart witnesses Parmelee and Inman were present but were not examined. Lockhart witness Stone testified as to Lockhart operations, the purchase of the diesel units, the purchase of the Pacolet hydroelectric plant and associated rate treatment as well as the reasons for the rate adjustment; Lockhart witness Moul testified as to the Settlement return on equity; ORS witness Gandhi

testified as to the Settlement adjustments and Settlement audit report; and ORS witness Watts testified as to ORS's examination of Lockhart as well as the Settlement. All witnesses provided testimony supporting the Settlement.

The Parties represented to the Commission that they had engaged in discussions on the issues of this case and that following the discussions, Lockhart and SCEUC determined that their interests and ORS determined that the public interest would be best served by stipulating to a comprehensive settlement of all issues pending in this matter. The testimony demonstrated that pursuant to the Settlement, the Parties stipulated to an increase of the Company's net revenues in the amount of \$484,291 and a return on equity of 12.00 percent. The Parties also agreed to the accounting exhibits attached as Exhibit B to the Settlement as setting forth the Company's operating expenses, pro forma adjustments, depreciation rates, rate base, return on equity, revenue requirement and rate of return on rate base. The Parties further supported Lockhart's purchase of the Pacolet hydroelectric plant and its associated requested rate treatment.

After having heard the testimony of the witnesses and based on the Commission's review of the Settlement, the Settlement exhibits and the testimony and exhibits submitted during the hearing, the Commission adopts as a comprehensive compromise settlement on all issues all terms and provisions of the Settlement as just and reasonable. This includes the accounting adjustments, the increase of the Company's net revenues in the amount of \$484,291, a return on equity of 12.00 percent, and approval of the purchase of the Pacolet hydroelectric plant. The Commission also specifically adopts as just and reasonable the rates and rate schedules set forth in the Settlement shown in ARW-2 through ARW-4 of Settlement Exhibit C attached hereto as

Order Exhibit No. 1 along with the rates and rate schedules C3, GA, OL, SL, EF, O and PM as filed in the Application.

IT IS THEREFORE ORDERED THAT:

1. The Settlement entered into by all of the Parties to this docket is incorporated herein as Order Exhibit No. 1 and is adopted and approved as just and reasonable.
2. Lockhart shall implement the rates, charges, terms and conditions referenced in attached Order Exhibit No. 1 for service rendered on and after the effective date of this Order.
3. The Parties shall abide by all terms of the Settlement Agreement.
4. The purchase of the Pacolet hydroelectric plant and its associated requested rate treatment is approved as just and reasonable.
5. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

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G. O'Neal Hamilton, Chairman

ATTEST:

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Robert C. Moseley, Vice Chairman

(SEAL)

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2007-33-E**

IN RE:

Application of Lockhart Power Company     )  
for a Rate Increase                             )     **CERTIFICATE OF SERVICE**

This is to certify that I, Pamela J. McMullan, an employee with the Office of Regulatory Staff, have this date served one (1) copy each of the **PROPOSED ORDER** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

M. John Bowen, Jr., Esquire  
McNair Law Firm, P.A.  
Post Office Box 11390  
Columbia, SC 29211

Scott Elliott, Esquire  
Elliott & Elliott, P.A.  
721 Olive Street  
Columbia, SC, 29205

A handwritten signature in black ink, appearing to read 'Pamela J. McMullan', is written over a horizontal line.

Pamela J. McMullan

June 22, 2007  
Columbia, South Carolina